

Volcker Rule (Docket No. R-1608)

Members of the Federal Reserve Board met with the Federal Advisory Council (FAC) on September 7, 2018. During the meeting, Council members provided written comments on several aspects of regulatory reform, including the following comments on the proposal relating to the Volcker rule. In addition to these written comments, Council members expressed concern about the proposal's "accounting prong" test, noting that the test could capture instruments or activities, including certain derivatives, previously considered to be outside the scope of the Volcker rule.

(The complete FAC Record of Meeting is available at <https://www.federalreserve.gov/aboutthefed/files/fac-20180907.pdf>.)

The Council appreciates the FRB's leadership on the interagency notice of proposed rulemaking (NPR) to identify opportunities, consistent with the statute, to improve the Volcker rule and tailor its application to the activities and risks of banking entities.

The Council believes the NPR is a step in the right direction; however, the goals to simplify and tailor are far outweighed by the impact of the proposed "accounting prong" test. Additionally, the proposal does not go far enough in meaningfully tailoring application of the Volcker rule to banking entities that have only "moderate trading assets and liabilities." Lastly, the proposal introduces new requirements that threaten the ability of institutions to engage in effective risk management of their balance sheet activities.